



General Assembly

**Bill No. 28**

February Session, 2008

LCO No. 713

\*00713\_\_\_\_\_\*

Referred to Committee on Finance, Revenue and Bonding

Introduced by:

SEN. MCKINNEY, 28<sup>th</sup> Dist.

REP. CAFERO, 142<sup>nd</sup> Dist.

**AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET  
RECOMMENDATIONS CONCERNING CERTAIN TAXES AND  
REVENUES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 3-114b of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective from passage*):

3 [At the close of each fiscal year the Comptroller is authorized to  
4 record as revenue of such year, the amount of sales and use taxes to be  
5 received for the calendar quarter ending at the close of such fiscal year  
6 as estimated by the Secretary of the Office of Policy and Management.]  
7 At the end of each fiscal year, commencing with the fiscal year ending  
8 on June 30, 2008, the Comptroller is authorized to record as revenue  
9 for such fiscal year the amount of revenue related to the tax imposed  
10 under chapter 219 for such fiscal year, which is received by the  
11 Commissioner of Revenue Services not later than five business days  
12 after the last day of July immediately following the end of such fiscal  
13 year.

14       Sec. 2. Section 3-114g of the general statutes is repealed and the  
15       following is substituted in lieu thereof (*Effective from passage*):

16       At the end of each fiscal year, commencing with the fiscal year  
17       ending on June 30, 1990, the Comptroller is authorized to record as  
18       revenue for such fiscal year, the amount of revenue related to the tax  
19       imposed under chapter 208 for such fiscal year which is received by  
20       the Commissioner of Revenue Services not later than five business  
21       days after the [August fifteenth] last day of July immediately following  
22       the end of such fiscal year.

23       Sec. 3. Section 3-114n of the general statutes is repealed and the  
24       following is substituted in lieu thereof (*Effective from passage*):

25       [At] Except as otherwise provided in this section, at the end of each  
26       fiscal year commencing with the fiscal year ending June 30, 2003, the  
27       Comptroller is authorized to record as revenue for such fiscal year the  
28       amount of revenue related to the tax imposed under the provisions of  
29       chapter 211 [on gross earnings in] for such fiscal year [applicable to  
30       operating a community antenna television system under chapter 289 or  
31       to any person operating a business that provides one-way transmission  
32       to subscribers of video programming by satellite and which tax] that is  
33       received by the Commissioner of Revenue Services not later than five  
34       business days after the last day of July immediately following the end  
35       of such fiscal year. The provisions of this section shall not apply to the  
36       amount of revenue related to the tax imposed under section 16-331cc  
37       of the 2008 supplement to the general statutes.

38       Sec. 4. (NEW) (*Effective July 1, 2008, and applicable to income years*  
39       *commencing on or after January 1, 2009*) (a) For purposes of this section:

40       (1) "Eligible expenses" means tangible property that is part of, or  
41       incorporated into, a building system in Connecticut that will result in a  
42       substantial reduction in greenhouse gases, in accordance with  
43       regulations promulgated by the Commissioner of Environmental  
44       Protection.

45 (2) "Standard 90.1-2001" means Standard 90.1-2001 of the American  
46 Society of Heating, Refrigerating and Air Conditioning Engineers, and  
47 the Illuminating Engineering Society of North America, as in effect on  
48 April 2, 2003.

49 (3) "Company" means a taxpayer, as defined in section 12-213 of the  
50 general statutes, subject to tax under chapter 208 of the general  
51 statutes.

52 (4) "Income year" means income year, as defined in section 12-213 of  
53 the general statutes.

54 (5) "Internal Revenue Code" means Internal Revenue Code, as  
55 defined in section 12-213 of the general statutes.

56 (6) "LEED" means the United States Green Building Council,  
57 Leadership in Energy and Environmental Design (LEED) Green  
58 Building Rating System.

59 (b) There shall be allowed a credit against the tax imposed under  
60 chapter 208 of the general statutes in an amount equal to twenty-five  
61 per cent of the amount of eligible expenses paid or incurred by such  
62 company that are projected to result in a substantial reduction in  
63 greenhouse gases that exceed reductions mandated by other state or  
64 federal requirements, provided the total credit allowed to any one  
65 company in any one income year may not exceed fifty thousand  
66 dollars. Such credit shall be allowed during the income year in which  
67 such eligible expenses are paid or incurred.

68 (c) The amount of credit allowed to any company under this section  
69 shall not exceed the amount of tax otherwise due from such company  
70 under chapter 208 of the general statutes with respect to such income  
71 year.

72 (d) No company claiming the credit pursuant to this section may  
73 claim a credit against any tax under any other provision of the general  
74 statutes with respect to the same expenses.

(e) Any credit not used in the income year in which the eligible expenses were incurred may be carried forward for the five immediately succeeding income years.

(f) On or before December 31, 2008, the Commissioner of Environmental Protection, in conjunction with the Office of Policy and Management, shall develop and adopt regulations, in accordance with chapter 54 of the general statutes, to implement this section. In determining what eligible expenses will result in a substantial reduction in greenhouse gases, the Commissioner shall consider recognized standards, including, but not limited to, Standard 90.1-2001 and LEED.

Sec. 5. Subsections (c) to (e), inclusive, of section 12-391 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective July 1, 2008, and applicable to estate of decedents dying on or after said date*):

(c) For purposes of this section:

(1) "Connecticut taxable estate" means (A) the gross estate less allowable deductions, as determined under Chapter 11 of the Internal Revenue Code, plus (B) the aggregate amount of all Connecticut taxable gifts, as defined in section 12-643, as amended by this act, made by the decedent for all calendar years beginning on or after January 1, 2005. The deduction for state death taxes paid under Section 2058 of said code shall be disregarded.

(2) "Internal Revenue Code" means the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, except in the event of repeal of the federal estate tax, then all references to the Internal Revenue Code in this section shall mean the Internal Revenue Code as in force on the day prior to the effective date of such repeal.

(3) ["Gross estate"] (A) Except as otherwise provided in this

105 subdivision, "gross estate" means the gross estate, for federal estate tax  
 106 purposes.

107 (B) With respect to the estate of a decedent dying on or after July 1,  
 108 2008, and where an election has been made by the executor of such  
 109 estate in accordance with section 6 of this act, "gross estate" means the  
 110 excess of (i) the gross estate, for federal estate tax purposes, over (ii)  
 111 the value, for federal estate tax purposes, of qualified farmland, to the  
 112 extent included in the gross estate, less related expenses. Nothing in  
 113 this subdivision shall authorize the subtraction of the value of  
 114 qualified farmland to the extent that the value of such farmland was  
 115 otherwise deducted in computing the taxable estate for federal estate  
 116 tax purposes.

117 (4) "Qualified farmland" means real property located in Connecticut  
 118 that is qualified real property, as defined in Section 2032A(b) of the  
 119 Internal Revenue Code, without regard to the limitation on the value  
 120 of qualified real property under Section 2032A(a)(2) of the Internal  
 121 Revenue Code, that is put to a qualified use as a farm for farming  
 122 purposes, and that was acquired from or passed from the decedent to a  
 123 qualified heir, as defined in Section 2032A(e) of the Internal Revenue  
 124 Code, of the decedent, and with respect to which an election is made  
 125 by the executor in accordance with section 6 of this act.

126 (d) (1) With respect to the estates of decedents who die on or after  
 127 January 1, 2005, a tax is imposed upon the transfer of the estate of each  
 128 person who at the time of death was a resident of this state. The  
 129 amount of the tax shall be determined using the schedule in subsection  
 130 (g) of this section. A credit shall be allowed against such tax for any  
 131 taxes paid to this state pursuant to section 12-642 for Connecticut  
 132 taxable gifts made on or after January 1, 2005.

133 (2) If real or tangible personal property of such decedent is located  
 134 outside of this state and is subject to estate, inheritance, legacy or  
 135 succession taxes by any state or states, other than the state of  
 136 Connecticut, or by the District of Columbia, the amount of tax due

under this section shall be reduced by the lesser of: (A) The amount of any taxes paid to such other state or states or said district; or (B) an amount computed by multiplying the tax otherwise due pursuant to subdivision (1) of this subsection, without regard to the credit allowed for any taxes paid to this state pursuant to section 12-642, by a fraction, (i) the numerator of which is the value of that part of the decedent's gross estate over which such other state or states or said district have jurisdiction for estate tax purposes to the same extent to which this state would assert jurisdiction for estate tax purposes under this chapter, with respect to the residents of such other state or states or said district, and (ii) the denominator of which is the value of the decedent's gross estate.

(3) Property of a resident estate over which this state has jurisdiction for estate tax purposes includes real property situated in this state, tangible personal property having an actual situs in this state and intangible personal property owned by the decedent, regardless of where it is located.

(e) (1) With respect to the estates of decedents who die on or after January 1, 2005, a tax is imposed upon the transfer of the estate of each person who at the time of death was a nonresident of this state. The amount of such tax shall be computed by multiplying (A) the amount of tax determined using the schedule in subsection (g) of this section by (B) a fraction, (i) the numerator of which is the value of that part of the decedent's gross estate over which this state has jurisdiction for estate tax purposes, and (ii) the denominator of which is the value of the decedent's gross estate. A credit shall be allowed against such tax for any taxes paid to this state pursuant to section 12-642, for Connecticut taxable gifts made on or after January 1, 2005.

(2) Property of a nonresident estate over which this state has jurisdiction for estate tax purposes includes real property situated in this state and tangible personal property having an actual situs in this state.

169 Sec. 6. (NEW) (*Effective July 1, 2008, and applicable to estates of*  
 170 *decedents dying on or after said date*) (a) In determining the amount of the  
 171 gross estate under the provisions of chapter 217 of the general statutes  
 172 for the estate of a decedent dying on or after July 1, 2008, the executor  
 173 may make, in accordance with subsection (b) of this section, an election  
 174 to treat real property located in Connecticut as qualified farmland, as  
 175 defined in subsection (c) of section 12-391 of the general statutes, as  
 176 amended by this act, and, upon such election, shall file the agreement  
 177 required pursuant to subsection (b) of this section with the  
 178 Commissioner of Revenue Services. If such election is made, the gross  
 179 estate shall be determined as provided in subparagraph (B) of  
 180 subdivision (3) of subsection (c) of section 12-391 of the general  
 181 statutes, as amended by this act.

182 (b) (1) An executor shall be eligible to make an election for an estate  
 183 in accordance with this section only if the executor has made an  
 184 election for the estate in accordance with Section 2032A of the Internal  
 185 Revenue Code, as defined in section 12-391 of the general statutes, as  
 186 amended by this act, for qualified real property located in Connecticut  
 187 that is put to a qualified use as a farm for farming purposes. The  
 188 provisions of this subdivision requiring the executor to have made an  
 189 election in accordance with said Section 2032A shall not apply if no  
 190 federal estate tax return was required to be filed for the estate.

191 (2) The election made in accordance with this section shall be made  
 192 on the tax return required under chapter 217 of the general statutes.  
 193 Such election shall be made in such manner as the Commissioner of  
 194 Revenue Services shall prescribe. Such an election, once made, shall be  
 195 irrevocable.

196 (3) Each person in being who has an interest, whether or not in  
 197 possession, in any property elected to be treated as qualified farmland  
 198 pursuant to this section, shall sign a written agreement consenting to  
 199 the application of subsection (c) of this section with respect to such  
 200 property.

201 (4) The commissioner may prescribe procedures that provide that,  
 202 in any case in which the executor makes an election in accordance with  
 203 this subsection, and files the agreement referred to in this subsection,  
 204 within the time prescribed by the commissioner, but the notice of  
 205 election, as filed, does not contain all required information, or  
 206 signatures of one or more persons required to enter into such  
 207 agreement are not included on such agreement as filed, or the  
 208 agreement does not contain all required information, the executor shall  
 209 have a reasonable period of time, not exceeding ninety days, after  
 210 notification of such omissions to provide such information or  
 211 signatures.

212 (c) If, within ten years after the decedent's death and before the  
 213 death of the qualified heir, the qualified heir disposes of any interest in  
 214 qualified farmland other than by (1) a disposition to a member of such  
 215 heir's family, or (2) the qualified heir ceases to use for the qualified use  
 216 the qualified farmland that was acquired from or passed from the  
 217 decedent, then there is hereby imposed an additional estate tax. The  
 218 amount of such additional tax shall be the additional tax that would  
 219 have been due from the decedent's estate if such election in accordance  
 220 with this section had not been made.

221 (d) In the administration of this section, the Commissioner of  
 222 Revenue Services shall apply the provisions of Section 2032A of the  
 223 Internal Revenue Code in the same manner and with the same force  
 224 and effect as if the language of said Section 2032A had been  
 225 incorporated in full into this section and had expressly referred to the  
 226 additional tax imposed under this section, except to the extent that any  
 227 such provision of said Section 2032A is inconsistent with a provision of  
 228 this section.

229 Sec. 7. Section 12-643 of the general statutes is repealed and the  
 230 following is substituted in lieu thereof (*Effective July 1, 2008, and*  
 231 *applicable to calendar years commencing on or after January 1, 2008*):

232 (a) The term "taxable gifts" means the transfers by gift which are



233 included in taxable gifts for federal gift tax purposes under Section  
 234 2503 and Sections 2511 to 2514, inclusive, and Sections 2516 to 2519,  
 235 inclusive, of the Internal Revenue Code of 1986, or any subsequent  
 236 corresponding internal revenue code of the United States, as from time  
 237 to time amended, less the deductions allowed in Sections 2522 to 2524,  
 238 inclusive, of said Internal Revenue Code, except in the event of repeal  
 239 of the federal gift tax, then all references to the Internal Revenue Code  
 240 in this section shall mean the Internal Revenue Code as in force on the  
 241 day prior to the effective date of such repeal.

242 (b) In the administration of the tax under this chapter, the  
 243 Commissioner of Revenue Services shall apply the provisions of  
 244 Sections 2701 to 2704, inclusive, of said Internal Revenue Code. The  
 245 words "secretary or his delegate" as used in the aforementioned  
 246 sections of the Internal Revenue Code means the Commissioner of  
 247 Revenue Services.

248 (c) [(The) (1) Except as otherwise provided in this subsection, the  
 249 term "Connecticut taxable gifts" means taxable gifts made during a  
 250 calendar year commencing on or after January 1, 2005, that are, [(1)]  
 251 (A) for residents of this state, taxable gifts, wherever located, but  
 252 excepting gifts of real estate or tangible personal property located  
 253 outside this state, and [(2)] (B) for nonresidents of this state, gifts of  
 254 real estate or tangible personal property located within this state.

255 (2) Where the aggregate amount of all Connecticut taxable gifts,  
 256 determined without regard to this subdivision, made by a donor for all  
 257 calendar years commencing on or after January 1, 2005, exceeds two  
 258 million dollars, and where an election has been made by the donor in  
 259 accordance with section 12-646a, as amended by this act, for a calendar  
 260 year commencing on or after January 1, 2008, the term "Connecticut  
 261 taxable gifts" means the excess of (A) taxable gifts made during such  
 262 calendar year that are, for residents of this state, taxable gifts, wherever  
 263 located, but excepting gifts of real estate or tangible personal property  
 264 located outside this state, and for nonresidents of this state, gifts of real

265 estate or tangible personal property located within this state over (B)  
 266 the value, for federal gift tax purposes, of qualified farmland, as  
 267 defined in this section.

268 (d) "Qualified farmland" means any tract or tracts of land, including  
 269 woodland and wasteland, constituting a farm unit, located in  
 270 Connecticut and classified as farm land in accordance with section 12-  
 271 107c, and with respect to which the donor has made an election in  
 272 accordance with section 12-646a, as amended by this act. Solely for the  
 273 purposes of this section, "qualified farmland" includes improvements  
 274 to real property that are part of "qualified real property", as that term is  
 275 defined in Section 2032A(b)(1) of the Internal Revenue Code of 1986 or  
 276 any subsequent corresponding internal revenue code of the United  
 277 States, as from time to time amended.

278 Sec. 8. Section 12-646a of the general statutes is repealed and the  
 279 following is substituted in lieu thereof (*Effective July 1, 2008, and*  
 280 *applicable to calendar years commencing on or after January 1, 2008*):

281 (a) In determining the [tax due] amount of Connecticut taxable gifts  
 282 under the provisions of this chapter, [the value of any farm land, as  
 283 defined in section 12-107c,] for a calendar year commencing on or after  
 284 January 1, 2005, where the aggregate amount of all Connecticut taxable  
 285 gifts, determined without regard to subdivision (2) of subsection (c) of  
 286 section 12-643, as amended by this act, made by a donor for all  
 287 calendar years commencing on or after January 1, 2005, exceeds two  
 288 million dollars, the donor may elect, for any calendar year  
 289 commencing on or after January 1, 2008, to treat as qualified farm land  
 290 any tract or tracts of land, including woodland and wasteland,  
 291 constituting a farm unit, located in Connecticut and classified as farm  
 292 land in accordance with section 12-107c, and being transferred by [a]  
 293 the donor by gift to a donee who is a lineal descendant or spouse  
 294 thereof. [, shall be determined in accordance with the provisions of  
 295 section 12-63.]

296 (b) If, within ten years immediately following a transfer to [a] such

donee, [where, as provided in subsection (a) of this section, the value is determined in accordance with the provisions of section 12-63,] such qualified farm land is transferred by [the] such donee to a party other than [the] such donee's lineal descendant or the spouse thereof or is no longer classified as farm land in accordance with section 12-107c, such donee or, if such land was transferred to such donee's lineal descendant or the spouse thereof, such descendant or the spouse thereof shall be liable for [the difference between the tax that was due from the donor under the provisions of subsection (a) of this section and] the additional tax that would have been due if such land had been valued based upon its fair market value, rather than at its value as land classified as farm land pursuant to section 12-107c, at the time of such transfer by such donor. The gift tax return of the donor shall include, in such manner as required by the Commissioner of Revenue Services for purposes of this section, a declaration, prescribed as to form by the Commissioner of Revenue Services and bearing notice to the effect that false statements made in such declaration are punishable, as to the fair market value of such farm land, based on its highest and best use value, as of the time of such transfer by such donor. The tax imposed under this subsection shall be paid to the commissioner within sixty days following the date of such transfer or change in classification, and if not so paid shall bear interest at the rate of one per cent per month or fraction thereof, commencing at the expiration of such sixty days, until paid. The commissioner may, for cause shown, on written application of such donee or, if such land was transferred to the donee's lineal descendant or the spouse thereof, such descendant or the spouse thereof, filed with said commissioner at or before the expiration of such sixty days, extend the time for payment of said tax or any part thereof.

(c) The tax imposed under subsection (b) of this section shall be a lien in favor of the state of Connecticut upon such real property so valued as farm land from the date on which the transfer described in subsection (a) of this section was made until, if there has been no transfer or change in classification resulting in the imposition of tax

331 under subsection (b) of this section, the expiration of ten years  
 332 immediately following such transfer, or in the event of a transfer or  
 333 change in classification resulting in the imposition of tax under  
 334 subsection (b) of this section, payment of the tax and interest, if any,  
 335 imposed under subsection (b) of this section is made; provided such  
 336 lien shall not be valid against any bona fide purchaser, as defined in  
 337 subsection (a) of section 12-35b, or qualified encumbrancer, as defined  
 338 in subsection (b) of section 12-35b.

339 Sec. 9. Section 70 of public act 07-242, as amended by section 129 of  
 340 public act 07-1 of the June 2007 special session, is repealed and the  
 341 following is substituted in lieu thereof (*Effective July 1, 2008*):

342 Notwithstanding the provisions of the general statutes, from [the  
 343 effective date of this section to] June 4, 2007, to September 30, 2007,  
 344 inclusive, and from July 1, 2008, to June 30, 2009, inclusive, the  
 345 provisions of chapter 219 of the general statutes shall not apply to sales  
 346 of any household appliance that meets the federal Energy Star  
 347 standard.

348 Sec. 10. Section 12-284b of the general statutes is repealed. (*Effective*  
 349 *from passage, and applicable to income years commencing on or after January*  
 350 *1, 2008*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	3-114b
Sec. 2	<i>from passage</i>	3-114g
Sec. 3	<i>from passage</i>	3-114n
Sec. 4	<i>July 1, 2008, and applicable to income years commencing on or after January 1, 2009</i>	New section
Sec. 5	<i>July 1, 2008, and applicable to estate of decedents dying on or after said date</i>	12-391(c) to (e)

Sec. 6	<i>July 1, 2008, and applicable to estates of decedents dying on or after said date</i>	New section
Sec. 7	<i>July 1, 2008, and applicable to calendar years commencing on or after January 1, 2008</i>	12-643
Sec. 8	<i>July 1, 2008, and applicable to calendar years commencing on or after January 1, 2008</i>	12-646a
Sec. 9	<i>July 1, 2008</i>	PA 07-242, Sec. 70
Sec. 10	<i>from passage, and applicable to income years commencing on or after January 1, 2008</i>	Repealer section

**Statement of Purpose:**

To implement the Governor's budget recommendations.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*